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Mr. Brewster voices the general verdict of those who are familiar with the Far East to the effect that Japanese merchants as a class are less trustworthy and less capable than the Chinese. But he adds: "It is important for us to understand that the Chinese are no more conscientious, in the ethical sense, than their commercial rivals. Oriental peoples, as a rule, are great liars, and the Chinese are no exception. * * * Moreover, the petty shop-keeper in China cheats his customer, especially if he is a stranger, at every possible opportunity. But Chinese merchants have learned that the man from the West will continue to trade with the one who meets his obligations most promptly. * * * In marked contrast with the commercial probity of the Chinese is their political corruption. * * * A great people, but an imbecile state; commercially sound, but politically rotten. * * * The explanation may be summed up in one sentence: the government of China is not a Chinese government. When the Chinese people get a chance to have a share in the making and execution of their own laws, they will take as keen an interest in politics as any other nation."

The solution of most of China's difficulties will come with education, in Mr. Brewster's opinion. Educational activity in China is interestingly discussed, with especial reference to the need for trade and technical schools. It is the lack of this education which explains industrial stagnation in China, and not over-population, or idleness, or a landed aristocracy, or lack of resources.

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Railroad Reorganization. By STUART DAGGETT, Instructor in Economics in Harvard University. Vol. IV of the Harvard Economic Studies. (Boston and New York: Houghton, Mifflin and Company, 1908. Pp. xii, 402. \$2 net).

It is seldom that a reviewer is accorded the opportunity of welcoming to the literature of economics a book which represents a successful excursion into a field which up to the time has remained practically unoccupied, especially if that field is one which offers much that is of importance in connection with the larger affairs

of the business world. The present volume is such a book. For over half a century railroad reorganizations have been an increasingly important feature of our industrial life, producing far-reaching consequences, yet the literature of the subject is very scanty. A number of chapters here and there, and a few articles,—all fragmentary and many of little value¹—comprise all that has been published on the subject. Dr. Daggett's work, while it does not profess to be complete or comprehensive, does undertake a general and fairly thorough survey of the field, and so claims attention as a noteworthy contribution to the subject.

The author presents an inductive study based upon an examination into the vicissitudes of eight American railroads, the Baltimore and Ohio, Erie, Reading, Southern, Atchison, Union Pacific, Northern Pacific, and Rock Island. These eight roads are located in various sections of the country and differ from each other in commercial environment and in the circumstances under which they were originally financed, thus forming a satisfactory group for the purpose of the investigation. A sketch of the financial history of each of these roads is given, in the course of which eighteen reorganizations are described and forty-two reorganization plans are more or less carefully scrutinized. This part of the work gives evidence of thorough and painstaking research and is rich in valuable material. Students of corporate affairs may well be grateful that they have here in concise and convenient form the leading facts in the financial chronicles of these eight important roads. If any criticism of this phase of the work may be indulged, it is that the author presents such a mass of detailed information in regard to most of the reorganizations that it is sometimes difficult to perceive clearly the contrasts which they present, especially the contrast between capitalization before and after reorganization, and also between charges, both obligatory and optional.

The historical sketches are followed by one final chapter of sixty pages, which contains the author's conclusions. The term "reorganization" receives a definition which is probably too broad but is at least specific: "the exchange of new securities for the principal of the outstanding, unmatured, general mortgage

¹ Exception should be made of an excellent article by Edward S. Meade in the *Annals of the American Academy of Political and Social Science* for March, 1901.

bonds, or for at least 50 per cent of the unmatured junior mortgages of any company, or for the whole of the capital stock." The author traces the necessity for reorganizations to two chief causes, unrestricted competition and unlimited capitalization. He next discusses the various problems which arise in the work of reorganization, and follows this with a number of tables showing the proportion of stocks to bonds before and after readjustment, and also the effect of the reorganizations upon the market values of the corporate securities. He concludes with a study of the provisions made to meet future capital requirements, and of the terms under which voting trusts have been created as a feature of reorganization plans.

Throughout the book the discussion is both expository and critical, but while these two methods of treatment are intermingled, the former predominates. So far as the work is expository little can be said except in praise. The criticism already proposed is the only one of any moment that can be suggested. One notable merit is the excellence of the author's style, by means of which he has succeeded in making good reading out of what might have been a wearying presentation of figures and financial data. But so far as the work is critical one gathers the impression that the author's thought has not been quite mature. For example, he seems to believe that over-capitalization is undesirable only when it takes the form of securities upon which the payment of interest is obligatory, and thus he approves without the qualifications upon which most students would insist, the common practice, based upon what Simon Sterne called an "ethical patriotic sentiment," of issuing income bonds and preferred stock to reconcile security holders to the sacrifices required by reorganization plans. Nevertheless there is much that is suggestive and instructive in the author's critical comments, and on this as well as on its descriptive side, the work is of unquestionable value to students of economics.

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